

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Minnesota Power Company's
Request for Approval of its Large Power
Electric Service Agreement with Lake
Superior Paper Industries

ISSUE DATE: February 9, 1988

DOCKET NO. E-015/M-87-705

ORDER APPROVING ELECTRIC
SERVICE AGREEMENT WITH
AFFILIATED INTEREST

PROCEDURAL HISTORY

On October 30, 1987 Minnesota Power Company (Minnesota Power or the Company) filed a request for approval of its large power electric service agreement with an affiliated interest, Lake Superior Paper Industries (LSPI). The Department of Public Service (DPS) investigated the request and recommended approval.

STATEMENT OF THE ISSUE

The issue before the Commission is whether to approve a large power electric service agreement between the Company and an affiliated interest.

FINDINGS AND CONCLUSIONS

Minnesota Power and LSPI are affiliated interests, with Minnesota Power holding 50% ownership of LSPI through its wholly owned subsidiary, Minnesota Paper. The transaction is therefore subject to the requirements of Minn. Stat. §216B.48, the statute governing transactions between public utilities and their affiliates.

The statute requires prior Commission approval of all transactions exceeding a certain monetary amount, which is exceeded here. The Commission is to approve the transaction only if it shall clearly appear and be established upon investigation that it is reasonable and consistent with the

public interest. Normally, the Commission is to require detailed documentation of the actual costs involved for both parties. Minn. Stat. §216B.48, Sub. 3.

The Commission finds that the electric service agreement at issue is indistinguishable from electric service agreements between Minnesota Power and its other large power customers. Like all large power electric service agreements, it was negotiated individually within the parameters of the Company's large power tariff. Its terms and conditions are no more favorable to either party than those of electric service agreements with unaffiliated customers, however.

The Commission finds that it is therefore unnecessary to require detailed documentation of the costs of the transaction to the Company and to LSPI. The Commission finds the electric service agreement consistent with the public interest and will approve it.

ORDER

1. The Commission hereby approves the electric service agreement between Minnesota Power Company and Lake Superior Paper Industries.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)